

TVA Highlights



Second Quarter - Fiscal Year 2005

Energy

- The reliability of the fossil system continued to improve. Unplanned outages and load reductions for the 12-month period that ended on March 31 were the lowest in the history of the system's 59 generating units.
- Units at Widows Creek, John Sevier, and Shawnee fossil plants set continuous operation records during the quarter. Widows Creek Unit 3 reached 819 days of continuous operation, breaking the records held by any single boiler, single turbine fossil unit, or light water nuclear reactor in the nation.
- The Bowling Green, Kentucky, Municipal Utilities Board of Directors voted unanimously to withdraw its contract cancellation notice to TVA, and the notice was deemed to be of no force and effect by the mutual agreement of TVA and BGMU. The unanimous vote to rescind came after extensive review of proposals from 13 power suppliers, including TVA. Power sales to BGMU in Fiscal Year 2004 accounted for approximately 0.57 percent of TVA revenues.
- In January 2005, TVA received notice from Princeton Electric Plant Board terminating its power contract, effective January 2010. To date, six distributors, five in Kentucky and one in Tennessee, have given notice and have not agreed with TVA to withdraw the notices; these distributors accounted for about 3 percent of TVA revenues in Fiscal Year 2004.
- The highest electricity demand on the TVA system during the quarter occurred the morning of January 18 at 29,279 megawatts, when the average temperature across the region was 18°F. It was the highest demand for this winter and the fifth highest on record.
- TVA began using an Operator Training Simulator to train transmission system operators. Improved operator training, including the use of simulators, was a key recommendation resulting from the analysis of the August 2003 Midwest/Northeast blackout.
- TVA's transmission system training program was cited as an Industry Best Practice by a joint audit team from the North American Electric Reliability Council and the Federal Energy Regulatory Commission

Environment

- Actions are progressing to further reduce nitrogen oxide (NO_x) and sulfur dioxide (SO₂) emissions from fossil plants:
 - Two additional NO_x-reducing Selective Catalytic Reduction systems will begin operating this summer, bringing TVA's total to 20. Also, evaluations will begin on two generating units using another NO_x reduction option, Selective Non-catalytic Reduction. SNCRs provide less NO_x reduction but are a less costly technology.
 - Installation of the SO₂-reducing scrubber for Paradise Unit 3 is scheduled for completion in 2006, and initial construction is under way on the scrubber for Bull Run Fossil Plant. Planning and design are under way for scrubbers at Colbert and Kingston fossil plants.
 - Test burns of blends of low-sulfur coal from the Powder River Basin are under way at several plants to determine the impacts and mitigation measures needed to burn this coal as part of the emissions-reduction program.
- The Regional Resource Stewardship Council provided TVA with advice on a draft set of guidelines for evaluating off-cycle land-use requests. During the first meeting of the council's third term, TVA provided a status report on the implementation of the new reservoir operations policy and an update on how TVA is implementing previous council recommendations.
- As part of a nationwide eagle count, TVA identified three mature bald eagles along a 35-mile survey route on Norris Reservoir. The national counts were started in 1979 by the National Wildlife Federation to determine wintering eagle distribution and population trends and to identify important winter habitat.

Economy

- TVA worked with regional, state, and local officials to help attract or retain 11,338 jobs and leverage investments of more than \$609.5 million for the region's economy during the quarter. TVA provided economic development loans totaling \$3,971,400 to Valley companies through partnerships with power distributors and communities.
- Results of a regional study on opportunities for attracting and expanding bio-life sciences businesses are being delivered to cities in the Valley. The information will help communities recruit and foster bio-life science companies.
- McCallum Sweeney Consulting certified a third Megasite location. The Wellspring Project, a large industrial property in Pontotoc, Union, and Lee counties in Mississippi, meets the criteria for automotive assembly operations.
- TVA is using the eSynchronist survey tool to gather data on women-owned and minority-owned companies in the Valley. The information will identify problems facing these firms and help shape the minority-owned and women-owned business programs offered by TVA.

Overall

In March, the TVA Board named Tom Kilgore, former president and chief executive officer of Progress Energy Ventures, as TVA's president and chief operating officer, succeeding O.J. "Ike" Zeringue, who is retiring. Mr. Kilgore has 25 years' experience in the electricity utility industry, including seven as president and CEO of Oglethorpe Power Corp. in Atlanta. Under Mr. Zeringue's leadership, the TVA power system regained its leadership position in nuclear operations and set new reliability standards in transmission and fossil plant generation.

Finance

- Operating revenue for the six months ended March 31, 2005, was \$3.673 billion. This was \$17 million higher than the same period last year, reflecting a 2-percent increase in kilowatt-hour sales.
- Fuel and purchased power costs increased 13 percent—from \$948 million to \$1.075 billion—for the six months ended March 31, 2004, and 2005, respectively. This increase was primarily due to the increased cost of coal, as well as the higher cost of purchased power.
- Net interest expense for the six months ended March 31, 2005, was \$633 million, which is \$26 million lower than the same period last year. The decrease is primarily due to a lower level of long-term outstanding debt.
- For the second quarter alone, power sales declined slightly—less than 1 percent—reflecting milder weather this winter. TVA had a net loss of \$24 million for the three months, primarily because of higher costs for fuel and purchased power and milder weather.

Power Program Financial and Statistical Highlights (unaudited)

Financial Highlights (millions)

	Three Months Ended March 31		Six Months Ended March 31	
	2005	2004	2005	2004
Operating revenues	\$ 1,839	\$ 1,879	\$ 3,673	\$ 3,656
Operating expenses	(1,562)	(1,449)	(2,997)	(2,831)
Operating income	277	430	676	825
Other income, net	6	8	11	15
Unrealized gain on derivative contracts, net	8	6	12	5
Net interest expense	(315)	(326)	(633)	(659)
Net (loss) income	\$ (24)	\$ 118	\$ 66	\$ 186

Sales of Electricity (millions – kWh)

	Three Months Ended March 31		Nine Months Ended March 31	
	2005	2004	2005	2004
Municipalities and cooperatives	32,651	33,205	64,136	63,992
Industries directly served	8,373	7,969	16,615	15,656
Federal agencies and other utilities	661	716	2,466	1,698
Total sales of electricity	41,685	41,890	83,217	81,346

This fact sheet includes limited financial and operational data about TVA. The information in this fact sheet should be read in conjunction with TVA's Quarterly Report for the quarter ending March 31, 2005, and its Fiscal Year 2004 Information Statement dated November 24, 2004, as may be amended from time to time. This information is available on TVA's Web site at www.tva.com/finance and is incorporated herein by reference.